

REPORT OF COMMITTEE

To the Honorable Mayor and Common Council of the City of La Crosse.

Your Finance & Personnel Committee

having under consideration the

annexed resolution establishing a policy for public deposits and investments, recommends the same be adopted as amended.

APPROVED AS
AMENDED
5/11/95

Respectfully submitted,

Phillip J. Addis, Chmn.
Michael T. Olson
Douglas L. Farmer
Audrey Kader
David R. Morrison
Roger J. Plesha

Passed

Approved

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COMMON COUNCIL
CITY OF LA CROSSE

REPORT OF FINANCE AND PERSONNEL COMMITTEE

Your Finance and Personnel Committee considered the attached matter and makes the following recommendation to the Common Council:

Subject: Resolution re-referred establishing a policy for public deposits and investments.

Motion:

To Approve

<u>REPORT OF COMMITTEE VOTE:</u>	<u>ABSENT</u>	<u>FOR</u>	<u>AGAINST</u>
P. Addis	_____	_____	_____
D. Farmer	_____	_____	_____
A. Kader	_____	_____	_____
D. Morrison	_____	_____	_____
M. Olson	_____	_____	_____
R. Plesha	_____	_____	_____
Total	_____	6	_____

DATA ON PUBLIC HEARINGS

The following persons appeared in favor:

NAME

ADDRESS

The following persons appeared against:

NAME

ADDRESS

Date May 4, 1955 Signed

Joseph L. F.

AMENDED RESOLUTION

WHEREAS, it is in the interest of the City of La Crosse to adopt a policy to insure continuous prudent deposits and investments of available City funds.

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of La Crosse that it hereby establishes the following policy in the public interest for the deposit and investment of available City funds:

I. PUBLIC DEPOSIT

1. The Common Council shall, by resolution, designate one or more public depositories, organized and doing business under the laws of this state or federal law, and located in Wisconsin, in which the City Treasurer shall deposit all public monies received by him/her.

2. Limitations. The resolution designating one or more public depositories shall specify whether the monies shall be maintained in time deposits subject to the limitations of sec. 66.04(2), Stats., demand deposits or savings deposits, and whether a surety bond or other security shall be required to be furnished under sec. 34.07, Stats., by the public depository to secure the repayment of such deposits. Not more than Five Hundred Thousand Dollars (\$500,000.00) shall be deposited in any one public depository, unless specifically authorized by the Common Council.

3. Deposits. The City Treasurer shall deposit public monies in the name of the City of La Crosse in such public depository designated by the Common Council and subject to the limitations hereinabove set forth.

4. Withdrawals. Withdrawals or disbursements by the City Treasurer of monies deposited in a public depository shall be made as provided by sec. 66.042, Stats. The City Treasurer is authorized, at his discretion, to process periodic payments through the use of money transfer techniques as set forth in sec. 66.042(3m), Stats.

II. INVESTMENTS

1. Policy. It is the policy of the City of La Crosse to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds.

2. Scope. This investment policy applies to all financial assets of the City. These funds are accounted for in the City's Annual Financial Report and include:

A. Funds

1. General Fund
2. Capital Project Funds
3. Enterprise Funds (to include the following)
 - a) Water Utility
 - b) Transit Utility
 - c) Parking Utility
 - d) Sanitary District #1
 - e) Sanitary Sewer Utility
4. Trust and Agency Funds
5. Special Revenue Funds
6. Debt Service Funds
7. Expendable Trust Funds
8. Special Assessment Funds
9. Any new or special fund created by the Common Council unless specifically exempted

3. Prudence. Investments shall be made with judgment and care--under circumstances then prevailing--which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

A. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4. Objective. The primary objectives, in priority order, of the City's investment activities shall be:

A. Safety: Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

B. Liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

C. Return on Investment: The City's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

5. Delegation of Authority. Management responsibility for the City's investment program is hereby delegated to the City Treasurer and Deputy City Treasurer, who shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include reference to: safekeeping, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the City Treasurer and Deputy City Treasurer. The City Treasurer and Deputy City Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

6. Ethics and Conflicts of Interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Mayor any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the City's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

7. Authorized Financial Dealers and Institutions. The City Treasurer will maintain a list of financial institutions authorized to provide investment services. No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions who desire to become qualified bidders for investment transactions must supply the Treasurer with the following: (e.g. audited financial statements, proof of Nation Association of Security Dealers certification, trading resolution, proof of state registration certification of having read entity's investment policy and depository contracts)

An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer.

A current audited financial statement is required to be on file for each financial institution in which the City invests.

8. Investments. The investment of City funds shall be in accordance with secs. 34.01(5) and 66.04(2), Stats., as follows:

A. Certificates of Deposit. City funds may be invested in certificates of deposit maturing within three years or less from the date of investment issued by any banks, savings & loan

associations or credit unions which are authorized to transact business in the State of Wisconsin. The financial institutions must have been designated as a public depository of the City by resolution of the Common Council. A maximum of Five Hundred Thousand Dollars (\$500,000.00) may be invested in each such institution unless the investment is collateralized by U.S. Government or U.S. Government Agency securities having a market value of one hundred ten percent (110%) of the investment or collateralization shall have been waived by the Common Council.

B. Government Bonds & Securities. City funds may be invested in United States government bonds or securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, bonds or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. The securities must be purchased through financial institutions authorized to conduct business in the State of Wisconsin and placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.

C. Municipal Bonds and Securities. Bonds or securities of any county, city, drainage district, vocational, technical and adult education district, village, town or school district of this state.

D. Government Investment Pool. City funds may be invested in the Wisconsin Local Government Pool Investment Fund without restriction as to the amount of deposit or collateralization.

E. Repurchase Agreements. City funds may be invested in repurchase agreements, in financial institutions authorized to conduct business in the State of Wisconsin. Repurchase agreements can only be made in securities which are direct obligations of or guaranteed as to principal and interest by the federal government; and, securities which are obligations of an agency, commission, board or other instrumentality of the federal government, where principal and interest are guaranteed by the federal government. Securities purchased by a repurchase agreement must be placed in safekeeping in a segregated account in the City's name at any designated public depository or approved financial institution.

F. Wisconsin Investment Fund. City funds may be invested in the Wisconsin Investment Trust without restriction as to the amount of deposit or collateralization.

G. Savings Deposit. City funds may be temporarily invested in savings deposits.

H. Securities. Pursuant to sec. 66.04(2), Stats., the Treasurer may invest in private securities which are senior to, or on a parity with, a security of the same issuer which is rated highest or second highest by Moody's Investors Service, Standard & Poor's Corporation or other similar nationally recognized rating agency.

I. In accordance with Section 66.04(2)(a)5., Wis. Stats., city funds may be invested in securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, and if the portfolio of the investment company or investment trust is limited to the following:

a. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.

b. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.

c. Repurchase agreements that are fully collateralized by bonds or securities under a. or b.

9. Collateralization. Except as otherwise provided, collateralization will be required on two types of investments: certificates of deposit and repurchase (and reverse) agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (110%) of market value of principal and accrued interest.

Collateral will always be held by an independent third party with whom the City has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the City and retained.

The right of collateral substitution is granted.
Note: Collateralization may effect the investment yield.

10. Safekeeping and Custody. All security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

11. Diversification. The City will diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution.

12. Maximum Maturities. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds may be invested in securities exceeding two years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

13. Internal Control. The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14. Performance Standards. The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account the City's investment risk constraints and cash flow needs.

A. Market Yield (Benchmark): The City's investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the L.G.I.P. and the average Fed Funds rate.

15. Reporting. The Treasurer is charged with the responsibility of including a market report on investment activity and returns in the City's Annual Financial Report. Reports will include performance, market sector breakdown, number of trades, interest earnings, and average maturity.

16. Investment Policy Adoption. This policy shall be reviewed on an annual basis by the Finance and Personnel Committee and any modifications made thereto must be approved by the Common Council.

III. MISCELLANEOUS

1. Liability. Notwithstanding any other provision of law, the Treasurer who deposits public monies in any public depository, in compliance with sec. 34.05, Stats. is, under the provisions of sec. 34.06, Stats., relieved of any liability for any loss of public monies which results from the failure of any public depository to repay to the public depositor the full amount of its deposits, thus causing a loss as defined in sec. 34.01(2), Stats.

2. Definitions. Words and phrases shall, insofar as applicable, have the meaning set forth in sec. 34.01, Stats., as amended.

3. Conflict. This policy is enacted in accordance with the provisions of Chapter 34 and secs. 66.04 and 66.042, Stats. In case of conflict, the state laws shall prevail.

4. Duration. This policy shall continue in force until repealed or superseded by further resolutions of the Common Council.

5. This policy shall be reviewed at least annually by the City Treasurer and any modifications must be approved by the Council.